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INFO ARAB ISRAELI COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L JERUSALEM 000143

SIPDIS

SENSITIVE
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAINE/BELGRADE; NSC FOR ABRAMS/DORAN/WATERS;
TREASURY FOR NUGENT/HIRSON/HEFFERNAN/LOEFFLER/HARRIS;
BRUSSELS FOR LERNER; PLEASE PASS TO USAID FOR
KUNDER/MCCLOUD/BORODIN

E.O. 12958: DECL: 01/22/2016
TAGS: [EFIN](#) [PGOV](#) [KWBG](#)
SUBJECT: DRAFT BUDGET SENT TO PALESTINIAN LEGISLATIVE
COUNCIL BUT DETAILS HAVE NOT YET BEEN RELEASED

CLASSIFIED BY: CONSUL GENERAL JAKE WALLES FOR REASONS 1.4 (B) AND (D).

¶1. (SBU) ACTING PALESTINIAN AUTHORITY (PA) FINANCE MINISTER SAMIR ABU AISHEH SUBMITTED THE FY 2007 PA BUDGET TO THE PALESTINIAN LEGISLATIVE COUNCIL JANUARY 16 AFTER THE PA CABINET APPROVED IT DECEMBER 27, ACCORDING TO LOCAL PRESS REPORTS. THE PROPOSED BUDGET TOTALS USD 2.562 BILLION, INCLUDING USD 1.2 BILLION IN DOMESTIC AND CLEARANCE REVENUE AND USD 1.362 IN EXTERNAL ASSISTANCE, ACCORDING TO PRESS REPORTS. THE PROPOSED FY 2007 BUDGET IS USD 332 M LARGER THAN THE FY 2005 PA BUDGET -- THE LAST BUDGET APPROVED BY THE PLC.

¶2. (SBU) NOTE: THE PLC DID NOT APPROVE A BUDGET IN 2006. THE HAMAS-LED GOVERNMENT FAILED TO SUBMIT A BUDGET TO THE PLC AFTER IT TOOK OVER IN LATE MARCH 2006. ACCORDING TO THE BUDGET LAW, THE PLC MUST APPROVE A BUDGET BEFORE MARCH 31 OF EACH CALENDAR YEAR. INSTEAD, THE PLC APPROVED A RESOLUTION AUTHORIZING THE PA TO SPEND MONEY AT THE 2005 RATE UNTIL DECEMBER 31, 2006. THERE IS SOME AMBIGUITY OVER WHETHER THE PA IS LEGALLY AUTHORIZED TO SPEND MONEY BETWEEN JANUARY 1, 2007 AND THE PLC'S APPROVAL OF THE 2007 BUDGET. END NOTE.

¶3. (C) PLC MEMBER AND BUDGET COMMITTEE CHAIR SALAM FAYYAD TOLD ECONCHIEF JANUARY 23 THAT HE WAS ONLY INFORMED THAT DAY THAT HE COULD PICK-UP A COPY OF THE BUDGET AT THE PLC, A WEEK AFTER THE GOVERNMENT HAD PASSED IT TO THE PLC LEADERSHIP. (NOTE: FAYYAD SAID HE WOULD SHARE A COPY WITH THE CONGEN ONCE HE HAS RECEIVED IT. END NOTE.) HE COMMENTED THAT THE GOVERNMENT HAS YET TO PUBLISH THE PROPOSED BUDGET FOR PUBLIC VIEWING.

¶4. (C) THOUGH FAYYAD HAD NOT YET SEEN THE ACTUAL BUDGET SUBMISSION, HE SAID THAT HE HAD BEEN TOLD THAT A COMPLETE BUDGET PACKAGE HAD NOT BEEN SUBMITTED. FOR EXAMPLE, A MACROECONOMIC FRAMEWORK WAS NOT SUBMITTED WITH THE BUDGET. WITHOUT SUCH A FRAMEWORK, HE SAID, IT WILL BE VERY DIFFICULT FOR THE PLC TO ASSESS WHETHER THE PROPOSED FINANCING PICTURE IS REALISTIC. HE DESCRIBED THE PROJECTED USD 1.3 BILLION IN EXTERNAL ASSISTANCE AS "WHOLLY UNREALISTIC." FAYYAD SAID THAT HE PLANNED TO CALL A MEETING OF THE PLC BUDGET COMMITTEE NEXT WEEK TO START THE COMMITTEES REVIEW OF THE BUDGET. HE THOUGHT, GIVEN THE LACK OF A MACROECONOMIC FRAMEWORK, THAT THE COMMITTEE WOULD BE JUSTIFIED IN REJECTING THE PROPOSED BUDGET SINCE THE BASIC FUNDAMENTALS OF THE PROCESS HAD NOT BEEN MET.
WALLES